



House of Representatives

General Assembly

File No. 101

February Session, 2002

Substitute House Bill No. 5577

House of Representatives, March 21, 2002

The Committee on Labor and Public Employees reported through REP. DONOVAN of the 84th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

**AN ACT REQUIRING THE PAYMENT OF INTEREST ON FRAUDULENT
UNEMPLOYMENT COMPENSATION OVERPAYMENTS AND
ESTABLISHING A LATE FEE FOR CONTRIBUTING EMPLOYERS
THAT FILE UNTIMELY UNEMPLOYMENT COMPENSATION
RETURNS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 31-273 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2002*):

4 (b) (1) Any person who, by reason of fraud, wilful misrepresentation
5 or wilful nondisclosure by [him] such person or by another of a
6 material fact, has received any sum as benefits under this chapter
7 while any condition for the receipt of benefits imposed by this chapter
8 was not fulfilled in [his] such person's case, or has received a greater
9 amount of benefits than was due [him] such person under this chapter,
10 shall be charged with an overpayment and shall be liable to repay to

11 the administrator for the Unemployment Compensation Fund a sum
12 equal to the amount so overpaid to [him] such person, plus for any
13 determination of an overpayment made on or after July 1, 2002,
14 interest at the rate of one per cent of the amount so overpaid per
15 month. If such person does not make repayment in full of the sum
16 overpaid plus interest, the administrator shall recoup such sum plus
17 interest by offset from such person's unemployment benefits. The
18 deduction from benefits shall be one hundred per cent of the person's
19 weekly benefit entitlement until the full amount of the overpayment
20 plus interest has been recouped. Where such offset is insufficient to
21 recoup the full amount of the overpayment plus interest, the claimant
22 shall repay the remaining amount in accordance with a repayment
23 schedule as determined by the examiner. If the claimant fails to repay
24 according to the schedule, the administrator may recover such
25 overpayment plus interest through a wage execution against the
26 claimant's earnings upon [his] the claimant's return to work in
27 accordance with the provisions of section 52-361a. In addition, the
28 administrator may request the Commissioner of Administrative
29 Services to seek reimbursement for such amount pursuant to section
30 12-742, as amended. The administrator is authorized, eight years after
31 the payment of any benefits described in this subsection, to cancel any
32 claim for such repayment or recoupment which in [his] the
33 administrator's opinion is uncollectible. Effective January 1, 1996, and
34 annually thereafter, the administrator shall report to the joint standing
35 committee of the General Assembly having cognizance of matters
36 relating to finance, revenue and bonding and the joint standing
37 committee of the General Assembly having cognizance of matters
38 relating to labor and public employees, the aggregate number and
39 value of all such claims deemed uncollectible and therefore cancelled
40 during the previous calendar year.

41 (2) Any person who has made a claim for benefits under this
42 chapter and has knowingly made a false statement or representation or
43 has knowingly failed to disclose a material fact in order to obtain
44 benefits or to increase the amount of benefits to which [he] such person
45 may be entitled under this chapter shall forfeit benefits for not less

46 than [two] one nor more than thirty-nine compensable weeks
47 following determination of such offense or offenses, during which
48 weeks [he] such person would otherwise have been eligible to receive
49 benefits. For the purposes of section 31-231b, such person shall be
50 deemed to have received benefits for such forfeited weeks. This
51 penalty shall be in addition to any other applicable penalty under this
52 section and in addition to the liability to repay any moneys so received
53 by such person and shall not be confined to a single benefit year.

54 (3) Any person charged with the fraudulent receipt of benefits or the
55 making of a fraudulent claim, as provided in this subsection, shall be
56 entitled to a hearing before the administrator, or a deputy or
57 representative designated by [him] the administrator. Notice of the
58 time and place of such hearing, and the reasons [therefor] for such
59 hearing, shall be given to the person not less than five days prior to the
60 date appointed for such hearing. The administrator shall determine, on
61 the basis of facts found by [him] the administrator, whether or not a
62 fraudulent act subject to the penalties of this subsection has been
63 committed and, upon such finding, shall fix the penalty for any such
64 offense according to the provisions of this subsection. Any person
65 determined by the administrator to have committed fraud under the
66 provisions of this section shall be liable for repayment to the
67 administrator of the Unemployment Compensation Fund for any
68 benefits determined by the administrator to have been collected
69 fraudulently, as well as any other penalties assessed by the
70 administrator in accordance with the provisions of this subsection.
71 Until such liabilities have been met to the satisfaction of the
72 administrator, such person shall forfeit [his] any right to receive
73 benefits under the provisions of this chapter. [Such] Notification of
74 such decision and penalty shall be mailed to such person's last-known
75 address and shall be final unless such person files an appeal [within]
76 not later than twenty-one days after receipt of such notification. [of
77 such decision and penalty was mailed to his last-known address.] If
78 the last day for filing an appeal falls on any day when the offices of the
79 Employment Security Division are not open for business, such last day
80 shall be extended to the next business day. Such appeal shall be heard

81 by a referee in the same manner provided in section 31-242 for an
82 appeal from the decision of an examiner on a claim for benefits. The
83 manner in which such appeals shall be heard and appeals taken
84 therefrom to the board of review and then to the Superior Court, either
85 by the administrator or the claimant, shall be in accordance with the
86 provisions set forth in section 31-249 or 31-249b, as the case may be.
87 Any determination of overpayment made under this subsection which
88 becomes final on or after October 1, 1995, may be enforced in the same
89 manner as a judgment of the Superior Court when the claimant fails to
90 pay according to [his] the claimant's repayment schedule. The court
91 may issue execution upon any final determination of overpayment in
92 the same manner as in cases of judgments rendered in the Superior
93 Court; and upon the filing of an application to the court for an
94 execution, the administrator shall send to the clerk of the court a
95 certified copy of such determination.

96 Sec. 2. Section 31-273 of the general statutes is amended by adding
97 subsection (j) as follows (*Effective July 1, 2002*):

98 (NEW) (j) All interest payments collected by the administrator
99 under subsection (b) of this section, as amended by this act, shall be
100 deposited into the Employment Security Administration Fund.

101 Sec. 3. Subsection (j) of section 31-225a of the general statutes is
102 repealed and the following is substituted in lieu thereof (*Effective July*
103 *1, 2002*):

104 (j) (1) Each employer subject to this chapter shall submit quarterly,
105 on forms supplied by the administrator, a listing of wage information,
106 including the name of each employee receiving wages in employment
107 subject to this chapter, [his] such employee's Social Security account
108 number and the amount of wages paid to [him] such employee during
109 such calendar quarter.

110 (2) Commencing with the first calendar quarter of 1991, each
111 employer subject to this chapter who reports wages for two hundred
112 fifty or more employees receiving wages in employment subject to this

113 chapter, and each person or organization [which] that, as an agent,
114 reports wages for a total of two hundred fifty or more employees
115 receiving wages in employment subject to this chapter on behalf of one
116 or more employers subject to this chapter shall submit quarterly the
117 information required by subdivision (1) of this subsection on magnetic
118 tape, diskette, or other similar electronic means which the
119 administrator may prescribe, in a format prescribed by the
120 administrator, unless such employer or agent demonstrates to the
121 satisfaction of the administrator that it lacks the technological
122 capability to report such information in accordance with this
123 subdivision.

124 (3) Any employer who fails to submit the information required by
125 subdivision (1) of this subsection in a timely manner, as determined by
126 the administrator, shall be liable to the administrator for a late filing
127 fee equal to twenty-five dollars. All fees collected by the administrator
128 under this subdivision shall be deposited into the Employment
129 Security Administration Fund.

This act shall take effect as follows:	
Section 1	<i>July 1, 2002</i>
Sec. 2	<i>July 1, 2002</i>
Sec. 3	<i>July 1, 2002</i>

LAB *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note**State Impact:**

Fund-Type	Agency Affected	Current FY \$	FY 03 \$	FY 04 \$
FF - Revenue Gain	Labor Dept.	0	215,500	215,500

Note: FF=Federal Fund

Municipal Impact: None

Explanation

The bill would result in a revenue gain of \$215,500 in FY03 and \$215,500 in FY04 for the Employment Security Administration Fund¹ in the Department of Labor (DOL).

The bill requires a 1% charge per month on overpayments of unemployment benefits where an individual fraudulently obtains an extra sum of benefit. The DOL collects approximately \$300,000 in overpayments per year. It is estimated that the department through the 1% per month penalty could gain about \$3,000 per year.

The bill also requires a \$25 penalty on employers that do not submit quarterly listings of wage information on a timely basis. According to the department, approximately 8,500 listings/year are received in an untimely fashion (out of a total of 380,000 required reports). This could result in \$212,500 in penalties per year if the rate of untimeliness remained unchanged.

¹ The Employment Security Fund is funded by federal contributions

OLR Bill Analysis*sHB 5577***AN ACT REQUIRING THE PAYMENT OF INTEREST ON
FRAUDULENT UNEMPLOYMENT COMPENSATION
OVERPAYMENTS AND ESTABLISHING A LATE FEE FOR
CONTRIBUTING EMPLOYERS THAT FILE UNTIMELY
UNEMPLOYMENT COMPENSATION RETURNS****SUMMARY:**

This bill changes the penalties for unemployment compensation fraud. It establishes an interest charge on repayments and decreases the minimum forfeiture penalty from two weeks of benefits to one week. Under the law and the bill, the maximum forfeiture penalty is 39 weeks. The bill changes the deadline for filing an appeal of an adverse hearing decision from 21 days after the notice is mailed to the claimant at his last known address to 21 days after he receives it.

In addition, the bill creates a \$25 late fee for untimely quarterly wage reports.

EFFECTIVE DATE: July 1, 2002

INTEREST AND FORFEITURES

Under current law, anyone who deliberately lies or withholds material facts in order to get unemployment compensation, must, in addition to criminal penalties, repay the amount of the overpayment and forfeit some future benefits. This bill adds an interest charge of 1% per month for overpayments made on or after July 1, 2002. The Department of Labor (DOL) commissioner must deposit all interest payments in the Employment Security Administration Fund.

LATE FEES

Contributing employers are required to file quarterly wage information reports with DOL. The bill establishes a \$25 fee for late filings and requires the commissioner to deposit all fees collected in the Employment Security Administration Fund.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 13 Nay 0